

**STATE OF MICHIGAN**  
**DEPARTMENT OF LABOR & ECONOMIC GROWTH**  
**OFFICE OF FINANCIAL AND INSURANCE REGULATION**  
**Before the Commissioner of Financial and Insurance Regulation**

In the matter of

XXXXX

Petitioner

File No. 92727-001

v

Priority Health HMO  
Respondent

Issued and entered  
this 14th day of October 2008  
by Ken Ross  
Commissioner

**ORDER**

**I**  
**PROCEDURAL BACKGROUND**

On August 19, 2008, XXXXX (Petitioner) filed a request for external review with the Commissioner of Financial and Insurance Regulation under the Patient's Right to Independent Review Act, MCL 550.1901 *et seq.* After a preliminary review of the material submitted the Commissioner accepted the request on August 26, 2008.

The case involves medical issues. Therefore, the Commissioner assigned the matter to an independent review organization (IRO) and requested the opinion of a medical expert. On September 10, 2008, the IRO completed its review and sent recommendations to the Office of Financial and Insurance Regulation.

**II**  
**FACTUAL BACKGROUND**

The Petitioner's group health care coverage is defined in Priority Health's certificate of coverage (the certificate).

From September 2006 through December 2006 the Petitioner suffered a series of progressive abscesses on her legs, underarms, and scalp that turned out to be methicillin-resistant *Staphylococcus aureus* (MRSA) infections. In December 2006 she was admitted to the hospital for surgical drainage.

The Petitioner developed a growing area of alopecia (loss of hair) in the area of the MRSA infection on her scalp. She was treated with antifungals by her primary care physician (PCP) for three visits but to no avail. Her PCP then referred her to XXXXX, MD, a dermatologist, in March 2008. He diagnosed alopecia areata. Priority Health approved coverage for two visits or consultations with Dr. XXXXX but denied coverage for any treatment or testing. The Petitioner appealed the denial of treatment.

After the Petitioner completed Priority Health's internal grievance process, Priority Health maintained its denial and sent its final adverse determination letter dated June 24, 2008.

### **III ISSUE**

Was Priority Health's denial of coverage for the treatment of alopecia correct under the terms of the Petitioner's coverage?

### **IV ANALYSIS**

#### **Petitioner's Argument**

The Petitioner says that her alopecia is due to an underlying medical condition and should be viewed as caused or aggravated by medical trauma and not as a cosmetic condition. In addition, she notes that the alopecia is also affecting her emotional well-being and mental health, resulting in depression and social withdrawal.

Dr. XXXXX discussed treatment options with the Petitioner, including topical sensitizers and irritants, intralesional corticosteroids, and systemic treatment. Before having an invasive biopsy, they decided to pursue topical injections because they had provided some benefit to her

in the fall of 2007.

Because her PCP and dermatologist determined there is a need for treatment and testing, the Petitioner believes that Priority Health should cover the services. The Petitioner argues that the treatment is medically necessary, was caused by major trauma, and is not merely cosmetic.

#### Priority Health's Argument

Priority Health considers treatment of alopecia to be a cosmetic service. It says the certificate excludes coverage for cosmetic services, such as acquired hair loss. Priority Health cites a provision in the certificate (*Section 6. Covered and Non-Covered Services*) which describes coverage and limitations under Reconstructive Surgery (page 16-17):

#### **Non-Covered Services**

Cosmetic services, prescription drugs, treatment, therapies or procedures done primarily to improve the way any part of the body looks. Coverage is excluded for, among other things:

\* \* \*

- (i) Hair transplants or repair of any congenital or acquired hair loss, including hair analysis.

Priority Health also points to its medical policy number 91456-R9 entitled "Skin Conditions" which says in part:

## **II. POLICY/CRITERIA**

- A. Evaluation** (up to two office visits per contract year) only is a covered benefit for the following skin conditions associated with the listed codes and all subgroups within these major coding groups:

\* \* \*

704.01 Alopecia areata

\* \* \*

704.09 Other alopecia

\* \* \*

- C. Treatment of Skin Conditions**

- 1. Treatment of cosmetic skin conditions (including but not limited to those listed above) is not a covered benefit. Priority Health defines cosmetic as any condition which if left untreated will result in no adverse medical outcome.

\* \* \*

8. Alopecia

Treatment of alopecia (or baldness) is considered cosmetic in nature and not medically necessary. Therefore, treatment for alopecia, including drugs, prosthetics, ointments and surgical transplantation are not covered.

Priority Health's grievance committee noted that the certificate has this provision under reconstructive surgery:

**Section 6. Covered and Non-Covered Services**

*Covered Services*

(a) Reconstructive surgery to correct Congenital Birth Defects and/or effects of Illness or Injury, if:

- i. The defects and/or effect of Illness or Injury cause clinical functional impairment. "Clinical functional impairment" exists when the defects and/or effects of Illness or Injury:
  - causes significant disability or major psychological trauma (psychological reasons do not represent a medical or surgical necessity unless you are undergoing psychotherapy for issues solely related to the Illness or Injury for which the reconstructive surgery is requested),
  - interfere with employment or regular attendance at school,
  - require surgery that is a component of a program of reconstructive surgery for congenital deformity or trauma, or
  - contribute to a major health problem

The grievance committee then went on to say:

Medical records reviewed do not show evidence of clinical functional impairment as outlined above. In addition, there is no record of psychotherapy or major psychological trauma caused by issues solely related to hair loss.

Priority Health says that services for alopecia are limited to two office visits per year for evaluation and diagnosis; no benefits are available for treatment. It believes that anything beyond evaluation and diagnosis of alopecia is cosmetic treatment, which is excluded under the terms of the certificate.

Commissioner's Review

In order to resolve the question of whether the treatment or testing for the Petitioner's condition was cosmetic or was medically necessary, the Commissioner obtained the recommendation of an independent review organization (IRO). The review was conducted by a physician who is board certified in internal medicine and dermatology and in active practice. The reviewer is also a member of the American Academy of Dermatology; the American College of Physicians; the American Society for Dermatologic Surgery; the American College of Mohs Micrographic Surgery and Cutaneous Oncology; and is published in peer reviewed literature. The IRO reviewer recommended reversing Priority Health's denial of coverage for treatment of her condition.

The IRO report explained:

It is the determination of this reviewer that medical necessity has been established for the treatment of the [Petitioner's] Alopecia. It is not considered cosmetic in nature.

The medical records indicate that the dermatologist's diagnosis is alopecia areata. This condition is an autoimmune disease of the hair follicles, a non-scarring alopecia. The diagnosis of alopecia areata is not related to any prior cellulitis. The dermatology community views alopecia as an autoimmune disease and treatment of this condition is not considered cosmetic, as it is not a normal variant as patterned hair loss is.

[Priority Health's] Medical Policy #91456-R9: Skin Conditions, is not specific as to which types of alopecia are not covered. It appears that the intent of the policy is to exclude the coverage for patterned hair loss (heredity or common balding in men and women); however, alopecia areata should be covered as it is a medical condition, an autoimmune disease. [Priority Health's] medical policy is not in keeping with the standards of the dermatology community.

It is the determination of this reviewer that the denial of coverage issued by Priority Health for the treatment of the [Petitioner's] alopecia areata be overturned.

The IRO reviewer, concluding that treatment for Petitioner's alopecia areata is medically necessary, noted that Section 6 of the certificate states in part:

You [i.e., the Petitioner] are entitled to the Covered Services described in this Section 6 when those services meet the following criteria:

(1) Medically/Clinically Necessary....

The Commissioner is not required in all instances to accept the IRO's recommendation. However, the IRO recommendation is afforded deference by the Commissioner. The IRO's analysis is based on extensive expertise and professional judgment and the Commissioner can find no reason why the IRO's recommendation should be rejected. Therefore, the Commissioner accepts the conclusion of the IRO and finds that treatment of the Petitioner's alopecia areata is not cosmetic and is medically necessary.

## **V ORDER**

The Commissioner reverses Priority Health's June 24, 2008, final adverse determination in this case.

Priority Health shall authorize and cover medically necessary treatment for the Petitioner's alopecia areata. Priority Health shall comply with this Order within sixty days and shall provide the Commissioner with proof it complied within seven days of compliance.

This is a final decision of an administrative agency. Under MCL 550.1915, any person aggrieved by this Order may seek judicial review no later than sixty days from the date of this Order in the circuit court for the county where the covered person resides or in the circuit court of Ingham County. A copy of the petition for judicial review should be sent to the Commissioner of the Office of Financial and Insurance Services, Health Plans Division, Post Office Box 30220, Lansing, MI 48909-7720.